

LAFAYETTE CITY-PARISH CONSOLIDATED GOVERNMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As financial management of the Lafayette City-Parish Consolidated Government (LCG), we offer readers of this financial statement an overview and analysis of the financial activities of the Lafayette City-Parish Consolidated Government. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in the LCG's financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that begin with Exhibit A.

FINANCIAL HIGHLIGHTS

- Assets of the LCG primary government exceeded its liabilities at the close of the most recent fiscal year by \$614.9 million (*net assets*). Of this amount, 3.5%, or \$22.0 million, (*unrestricted net assets*) may be used to meet the LCG's ongoing obligations to citizens and creditors.
- The LCG's total net assets increased by \$11.1 million (2%) during 2003. Governmental activities' net assets increased \$5.9 million during 2003, while business-type activities net assets increased \$5.2 million. In addition, governmental activities' net assets increased \$11.1 million as the result of a prior period adjustment.
- As of the close of the fiscal year, the LCG's governmental funds reported combined ending fund balances of \$178.2 million, a decrease of \$10.6 million in comparison with the prior year. Approximately 57% of this total amount, \$102.0 million, is available for spending at the LCG's discretion (*unreserved fund balance*).
- Resources available for appropriation in the General Fund were \$49.9 million above budget. Expenditures and transfers were \$46.0 million over budget for the year.
- At October 31, 2003, unreserved fund balance for the General Fund was \$20.4 million, or 18% of total 2003 General Fund expenditures and transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement No. 34, a government's presentation of financial statements has been greatly changed. The new statements focus on the LCG as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government), and should enhance LCG's accountability.

Government-Wide Financial Statements

The government-wide financial statements (see Exhibits A and B) are designed to be similar to private-sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. These statements combine governmental funds' current financial resources with capital assets and long-term obligations. Also presented in the government-wide financial statements is a total column for the business-type activities of the primary government. Component units are separate legal governmental entities to which the LCG Council may be obligated to provide financial assistance and are presented as a separate column in the government-wide statements and as individual activities in the fund financial statements.

The Statement of Net Assets (Exhibit A) presents information on all the LCG's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the LCG is improving or deteriorating.

The Statement of Activities (Exhibit B), presents information showing how the LCG's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities and component units.

The governmental activities reflect the LCG's basic services including public safety (fire and law enforcement), general government (executive, legislative, judicial, finance, administrative services), streets and drainage, traffic and transportation, culture and recreation, health and welfare, economic development, conservation, and urban redevelopment and housing. These services are financed primarily with taxes. The business-type activities reflect private sector type operations where the fee for service typically covers all or most of the cost of operations including depreciation. The City's electric, water, wastewater, and fiber optics utilities and the LCG's solid waste collection, environmental services and animal shelter control program are reported here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The governmental major funds (see Exhibits C through F) presentation is presented on a

sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The LCG has presented the General Fund, the City's Sales Tax Trust funds and the Capital Improvement Fund as major funds. All non-major governmental funds are presented in one column, titled Other Governmental Funds. Combining financial statements of the non-major funds can be found in the other supplementary information section that follows the basic financial statements.

Proprietary Funds encompass both enterprise and internal service funds on the fund financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the LCG's various functions. The LCG uses internal service funds to account for its central vehicle maintenance, central printing, and self-insured insurance, and group hospitalization activities. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities section in the government-wide financial statements. Combining statements of the non-major individual enterprise and internal service funds can be found in the other supplementary information section following the basic financial statements. The basic proprietary fund statements are located at Exhibits G through K.

Fiduciary Funds are used to account for resources held by the LCG in a trustee capacity or as an agent for others. These funds (see Exhibits L and M) are restricted in purpose and do not represent discretionary assets of the LCG. Therefore, these assets are not presented as part of the government-wide financial statements.

The total columns on the business-type fund financial statements for enterprise funds (see Exhibits G and I) and on the governmental funds financial statements (see Exhibits C and E) at the government-wide financial statements require reconciliation. The governmental funds differences result from the different measurement focus and the reconciliation is presented on the pages following each statement (see Exhibits D and F). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the *Governmental Activities* column in the government-wide statements. For proprietary funds, the differences relate to transactions with the governmental funds that have been eliminated. This reconciliation is presented on the pages following the statements (see Exhibits H and J).

Capital Assets

General capital assets include land, land improvements, easements, buildings, vehicles, equipment and machinery, infrastructure, and all other assets of a tangible nature that are used in operations and that exceed the LCG's capitalization threshold. (see Note 10). All projects completed and acquisitions occurring in fiscal year ended October 31, 2003 have been capitalized.

Governmental Accounting Standards Board Statement No. 34 allows the LCG a transitional period to October 31, 2005 for reporting infrastructure assets. The LCG has capitalized all purchased capital assets and all donated non-infrastructure general capital assets. Donated infrastructure assets (those placed into service through contributions from private development) have not been capitalized in this financial presentation for the years 1980 through 2001. The LCG plans to record all material donated assets by the end of the next fiscal year. Prior to the implementation of the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time in the 2002 financial statements based on the date of acquisition and the life span of the asset.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 62 through 108 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, the budgetary comparison schedules. Required supplementary information can be found in Exhibits P-1 through P-3 of this report.

The other supplementary information section referred to earlier in connection with the non-major governmental and proprietary funds is presented immediately following the required supplementary information in Exhibits Q-1 through Q-46.

Also included in the report is the Office of Management and Budget A-133 Single Audit Auditor reports, findings and schedules.

The Statistical Section (see Tables 1 through 15) are included for additional information and analysis and do not constitute a part of the audited financial statements.

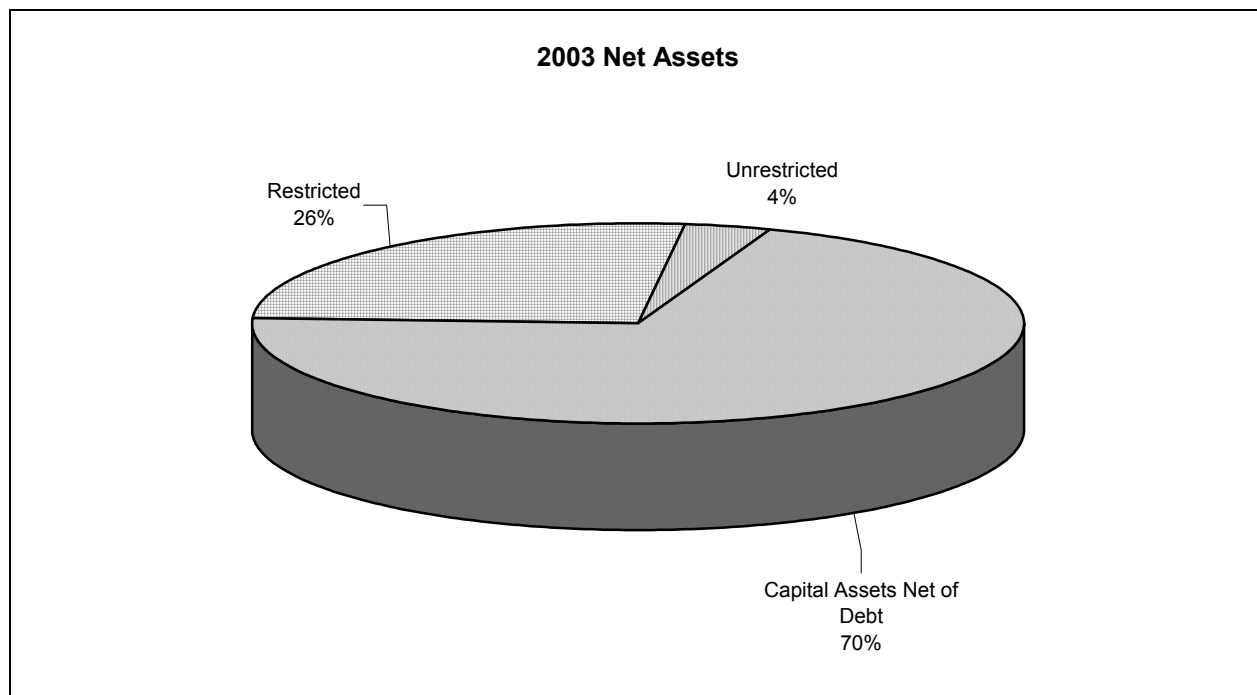
GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Assets for 2003, with comparative figures from 2002:

Table 1
Lafayette City-Parish Consolidated Government
Condensed Statement of Net Assets
October 31, 2003 and 2002
(in millions)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Assets:						
Current and other assets	\$ 207.3	\$ 215.9	\$ 47.9	\$ 50.2	\$ 255.2	\$ 266.1
Restricted assets	-	-	119.7	135.1	119.7	135.1
Capital assets	<u>376.8</u>	<u>338.3</u>	<u>398.3</u>	<u>392.4</u>	<u>775.1</u>	<u>730.7</u>
Total assets	<u>\$ 584.1</u>	<u>\$ 554.2</u>	<u>\$ 565.9</u>	<u>\$ 577.7</u>	<u>\$1,150.0</u>	<u>\$1,131.9</u>
Liabilities:						
Current liabilities	\$ 24.4	\$ 19.6	\$ 16.0	\$ 20.5	\$ 40.4	\$ 40.1
Long-term liabilities	<u>372.1</u>	<u>364.0</u>	<u>122.6</u>	<u>135.0</u>	<u>494.7</u>	<u>499.0</u>
Total liabilities	<u>\$ 396.5</u>	<u>\$ 383.6</u>	<u>\$ 138.6</u>	<u>\$ 155.5</u>	<u>\$ 535.1</u>	<u>\$ 539.1</u>
Net assets:						
Invested in capital assets						
net of debt	\$ 153.7	\$ 135.5	\$ 277.9	\$ 258.3	\$ 431.6	\$ 393.8
Restricted	48.3	46.1	113.0	124.6	161.3	170.7
Unrestricted	<u>(14.4)</u>	<u>(11.0)</u>	<u>36.4</u>	<u>39.3</u>	<u>22.0</u>	<u>28.3</u>
Total net assets	<u>\$ 187.6</u>	<u>\$ 170.6</u>	<u>\$ 427.3</u>	<u>\$ 422.2</u>	<u>\$ 614.9</u>	<u>\$ 592.8</u>

For more detailed information see Exhibit A, the Statement of Net Assets.



The LCG's *combined* net assets at year end total \$614.9 million. Approximately 70% (\$431.6 million) of the LCG's net assets as of October 31, 2003 reflects the LCG's investment in capital assets (land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets that is still outstanding. The LCG uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Another 26% of the LCG's net assets are subject to external restrictions on how they may be used, such as property tax approved by the electorate for specific purposes. The remaining 4% (\$22 million) of net assets, referred to as *unrestricted*, may be used to meet the ongoing obligations of the LCG to citizens and creditors.

The deficit in unrestricted net assets in governmental activities is caused by the excess of non-capital related long-term debt (the retirement systems notes and claims liabilities) and by unused employee vacation and sick days not previously funded; which together exceed current assets that are not externally dedicated for specific purposes.

The following Table 2 provides a summary of the changes in net assets for the year ended October 31, 2003, with comparative figures from 2002:

Table 2
Lafayette City-Parish Consolidated Government
Condensed Statement of Changes in Net Assets
For the Years Ended October 31, 2003 and 2002
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenue -						
Fees, fines, and charges for services	\$ 9.6	\$ 9.4	\$ 214.8	\$ 188.7	\$ 224.4	\$ 198.1
Operating grants and contributions	13.6	9.5	-	-	13.6	9.5
Capital grants and contributions	6.3	4.2	0.5	0.2	6.8	4.4
General revenues -						
Sales taxes	58.9	56.2	-	-	58.9	56.2
Other taxes	29.7	24.7	-	-	29.7	24.7
Grants and contributions not restricted to specific programs	3.5	3.3	-	-	3.5	3.3
Other	<u>6.4</u>	<u>9.5</u>	<u>2.1</u>	<u>3.7</u>	<u>8.5</u>	<u>13.2</u>
Total revenues	<u>\$ 128.0</u>	<u>\$ 116.8</u>	<u>\$ 217.4</u>	<u>\$ 192.6</u>	<u>\$ 345.4</u>	<u>\$ 309.4</u>
Expenses:						
General government	\$ 28.1	\$ 24.9	\$ -	\$ -	\$ 28.1	\$ 24.9
Public safety	34.9	31.2	-	-	34.9	31.2
Traffic and transportation	5.6	5.5	-	-	5.6	5.5
Streets and drainage	19.8	15.4	-	-	19.8	15.4
Urban redevelopment and housing	3.0	2.9	-	-	3.0	2.9
Economic development and assistance	0.8	0.8	-	-	0.8	0.8
Culture and recreation	15.1	14.2	-	-	15.1	14.2
Health and welfare	1.7	1.4	-	-	1.7	1.4
Economic opportunity	1.8	2.2	-	-	1.8	2.2
Conservation of natural resources	0.1	0.1	-	-	0.1	0.1
Intergovernmental	1.6	1.8	-	-	1.6	1.8
Unallocated depreciation	7.9	7.0	-	-	7.9	7.0
Combined utilities system	-	-	144.7	116.2	144.7	116.2
Coal-fired electric plant	-	-	44.0	41.7	44.0	41.7
Animal shelter and control	-	-	0.6	0.5	0.6	0.5
Solid waste collection	-	-	7.3	7.1	7.3	7.1
Interest on long-term debt	<u>17.3</u>	<u>19.1</u>	<u>-</u>	<u>-</u>	<u>17.3</u>	<u>19.1</u>
Total expenses	<u>\$ 137.7</u>	<u>\$ 126.5</u>	<u>\$ 196.6</u>	<u>\$ 165.5</u>	<u>\$ 334.3</u>	<u>\$ 292.0</u>
Increase (decrease) in net assets before transfers	\$ (9.7)	\$ (9.7)	\$ 20.8	\$ 27.1	\$ 11.1	\$ 17.4
Transfers	<u>15.6</u>	<u>16.5</u>	<u>(15.6)</u>	<u>(16.5)</u>	<u>-</u>	<u>-</u>
Increase in net assets	\$ 5.9	\$ 6.8	\$ 5.2	\$ 10.6	\$ 11.1	\$ 17.4
Net assets, November 1	170.6	163.8	422.1	411.6	592.7	575.4
Prior period adjustment	<u>11.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11.1</u>	<u>-</u>
Net assets, October 31	<u>\$ 187.6</u>	<u>\$ 170.6</u>	<u>\$ 427.3</u>	<u>\$ 422.2</u>	<u>\$ 614.9</u>	<u>\$ 592.8</u>

The LCG's total revenues were \$345.4 million and the total cost of all programs and services was \$334.3 million. Therefore, net assets increased \$11.1 million from operations during the year. However, a prior period adjustment of \$11.1 million results in a net asset increase of \$22.1 million. Our analysis below separately describes the operations of governmental and business-type activities.

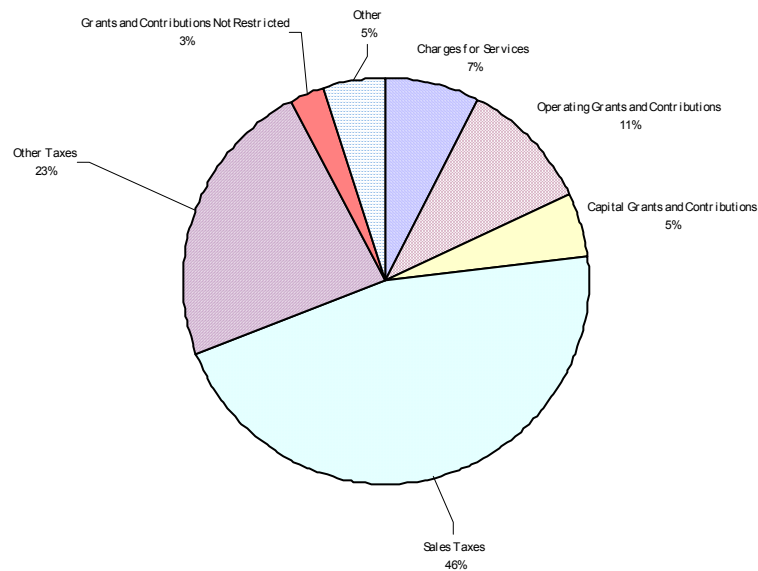
Governmental Activities net assets increased \$5.9 million in 2003. The cost of all governmental activities this year was \$137.7 million. As shown in the Statement of Activities in Exhibit B, the amount that our taxpayers financed was \$108.2 million because some of the cost was paid by those who directly benefited from the programs (\$9.6 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$19.9 million). Program revenues only covered 21% of total costs. The remainder was paid with taxes and other revenues, such as investment earnings and unrestricted grants and contributions.

The LCG's largest program in governmental activities is public safety, with over \$34.9 million of resources applied thereto. Following that is general government, streets and drainage, and interest on long-term debt.

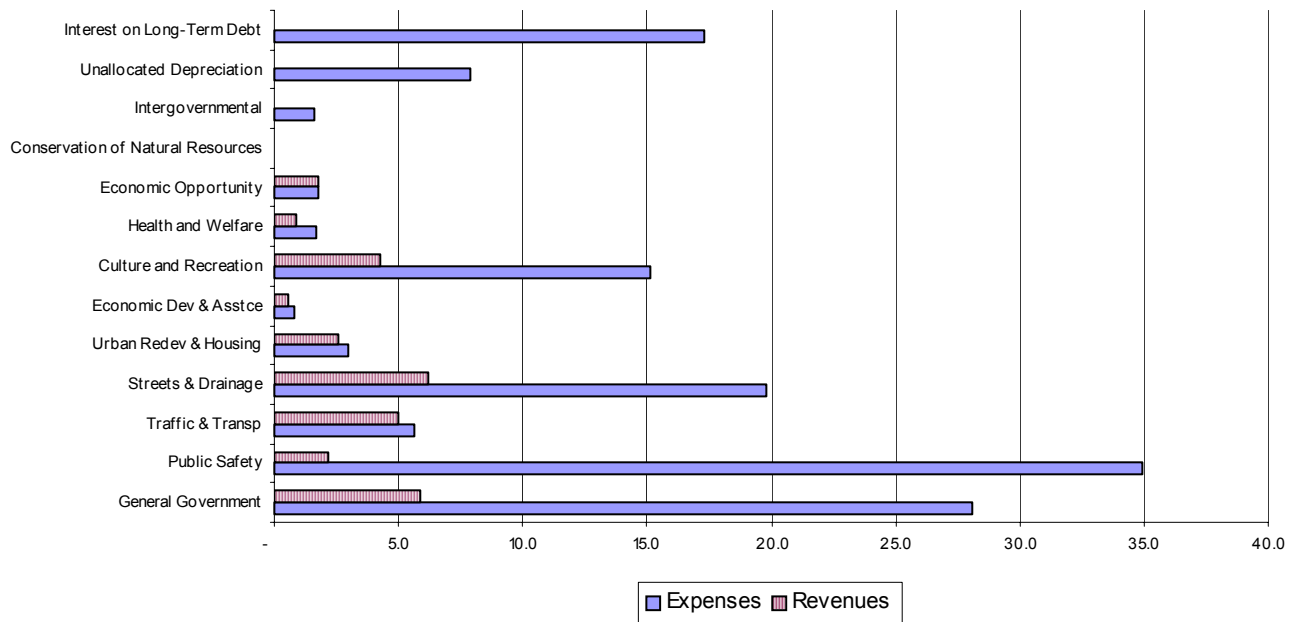
The government's net assets increased \$11.1 million during the current fiscal year. *Governmental Activities* net assets increased \$5.9 million. Some factors affecting the change in net assets for governmental activities were:

- (1) An increase in net capital assets of approximately \$27.4 million capitalized during the year.
- (2) An increase in long-term debt of \$8.1 million due to new bond issues for capital improvements and refundings.
- (3) An increase in funds restricted for debt service of \$2 million, and for capital projects of \$500,000.
- (4) A decrease of \$1.1 million in the Utilities System's in-lieu-of-tax payment to the General Fund.
- (5) An additional \$2.7 million in sales tax revenues due to increased retail sales, and an additional \$5 million in property tax revenues due to growth in tax rolls and a new mosquito abatement and control tax.

Revenues by Source-Governmental Activities

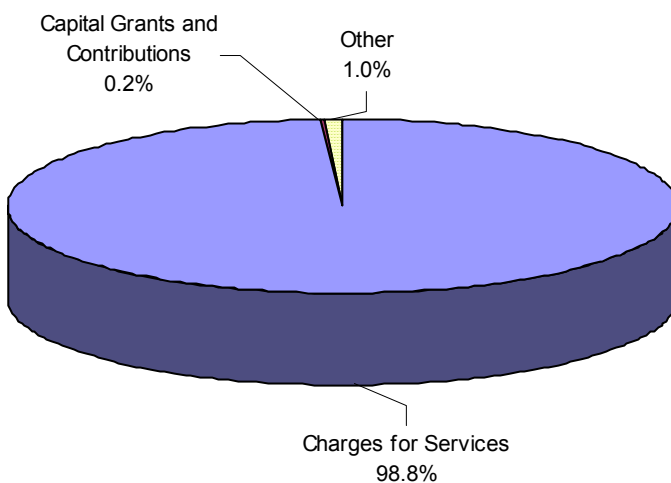


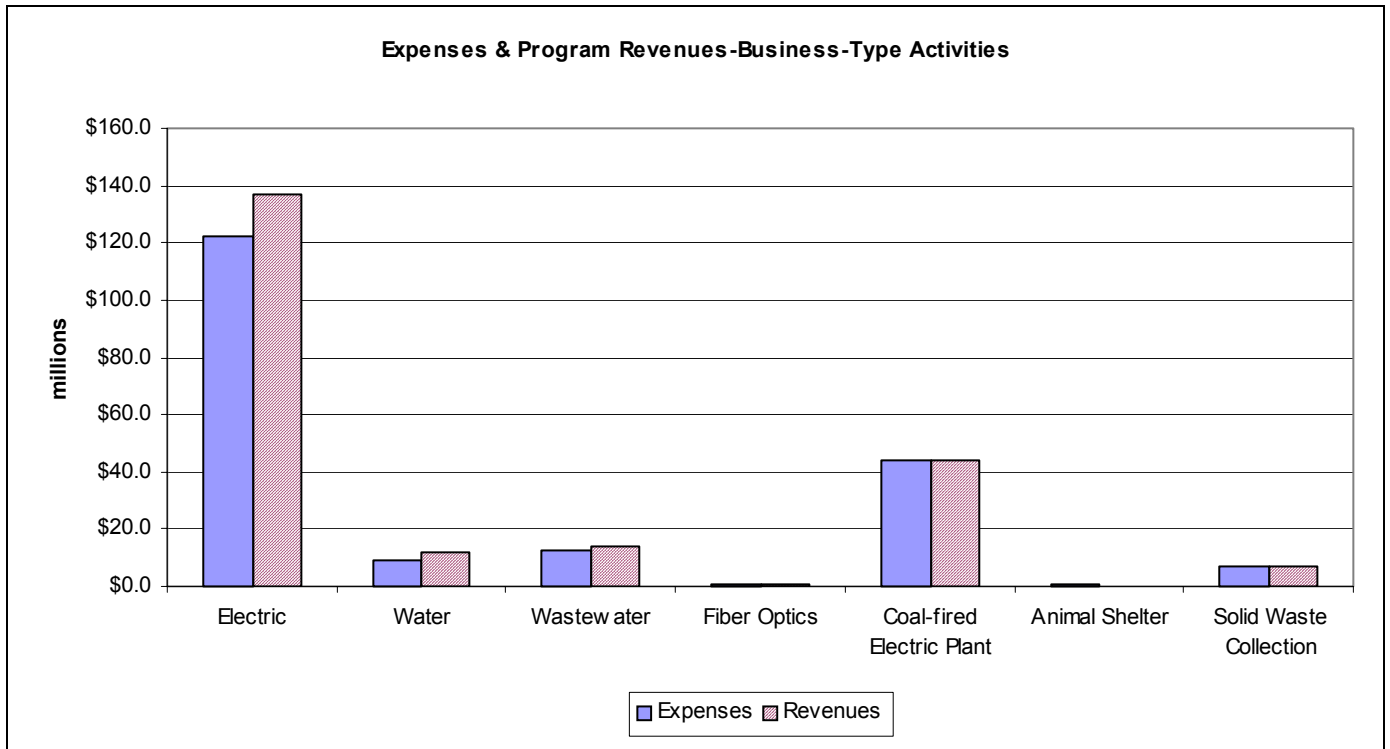
Expenses & Program Revenues-Governmental Activities



Business Type Activities' net assets increased by \$5.2 million in 2003. Charges for services make up 99% of the revenues in the business-type activities. Most of the net asset increase was in the LCG's main enterprise fund, the Utilities System. The other enterprise funds mainly broke even for the year, with revenues equaling expenses. The Utilities System revenues increased \$23 million due to production cost increases that were passed on to customers through an increased fuel adjustment rate on electric billings. There was also a 10% increase in wastewater rates and fees during 2003. The Utilities System in-lieu-of-tax payment to the General Fund decreased by \$1.1 million to total \$16.1 million in 2003. Interest earnings on investments declined \$1 million due to lower interest rates and reduced investment balances.

Revenues by Source-Business-type Activities





FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the LCG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the LCG's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the LCG's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the LCG's governmental funds reported combined ending fund balances of \$178.2 million, a decrease of \$10.6 million in comparison with the prior year. Approximately 57% of this total amount (\$102.0 million) constitutes *unreserved fund balance*, which is available for spending at the LCG's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to: (1) liquidation of contracts and purchase orders of the prior period (\$28.6 million), (2) payment of debt service (\$43.5 million), (3) loans to low-income recipients (\$3.7 million), (4) other miscellaneous commitments (\$0.3 million).

The General Fund is the chief operating fund of the Lafayette Consolidated Government. At the end of the fiscal year, total fund balance of the General Fund was \$20.6 million, \$20.4 million of which was unreserved. Compared with total fund balance of \$22.8 million at the end of 2002, fund balance declined approximately \$2.2 million during 2003. Key factors contributing to this change were as follows:

- (1) A decrease of \$1.1 million in the Utilities System in-lieu-of-tax payment to the City.
- (2) A reduction in interest expense of approximately \$1.2 million.
- (3) An increase in General Fund expenditures totaling \$3.9 million; primarily for public safety salary increases, insurance cost increases, and retirement cost increases.

Fund balance in the Sales Tax Capital Improvement Fund declined \$1.3 million in 2003, due to a draw down for capital projects use.

Proprietary Funds: The LCG's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of the end of the current fiscal year, the primary government's proprietary funds reported ending net assets of \$424.5 million, an increase of \$4.0 million in comparison with the prior year.

LCG's main proprietary fund is the Utilities System Fund which accounts for electric, water, wastewater, and fiber optic services. This fund ended the year with an increase of \$3.4 million in net assets, after transferring \$16.1 million to the General Fund as a payment in-lieu-of-taxes. As previously noted, the Utilities System had an increase in electric fuel adjustment rates due to higher fuel costs and an increase in wastewater rates for capital improvements. This resulted in an increase in revenues of approximately \$23.0 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The total difference between the original General Fund budget and the final amended budget was an increase in appropriations of \$4.8 million. Supplemental appropriations totaling \$4.8 million were approved during the year by the LCG Council for various programs, including employee retirement costs, capital outlay, and hurricane recovery costs. This \$4.8 million increase was funded from prior year available balances.

When actual results for 2003 are compared with the final budget, revenue collections, including transfers, exceeded budget by \$49.9 million and expenditures and transfers were \$46.0 million more than appropriated; a positive variance of \$3.9 million. There were no overruns on expenditures at the legal level of control. Material differences between actual results and budgeted amounts in the General Fund are as follows:

- Outstanding bonds were refunded at lower interest costs. Since this was not budgeted, bond proceeds accounted for \$48.1 million of excess revenues, and payments to the escrow agent for bond retirement represented \$47.9 million of excess expenditures.

- Approximately \$1.4 million represented unexpended appropriations, with about \$800,000 representing salary and retirement appropriations due to various vacant positions throughout the year and the remainder for various other expenses.
- Approximately \$700,000 of appropriated capital outlay was not spent during 2003. The LCG Home Rule Charter allows for the carry-forward of these funds for capital outlay projects to be completed in subsequent years. The majority of these funds are appropriated for drainage, bridge, and street repairs in the unincorporated areas of the Parish.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Lafayette Consolidated Government's investment in capital assets for its governmental and business type activities as of October 31, 2003 amounts to \$775.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, parking facilities, electric, water, wastewater, and fiber optic utility facilities, roads, highways, bridges, and drainage systems. The net increase in the LCG's investment in capital assets for the current fiscal year was 4.5%, a 7.8% increase for governmental activities and a 1.5% increase for business-type activities.

TABLE 3
Lafayette City-Parish Consolidated Government
Capital Assets
(Net of Depreciation)
October 31, 2003 and 2002
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002 *	2003	2002 *	2003	2002 *
Land	\$ 19.7	\$ 19.3	\$ 3.3	\$ 3.3	\$ 23.0	\$ 22.6
Buildings and improvements	67.7	66.6	0.3	0.4	68.0	67.0
Equipment	21.3	18.9	4.0	4.6	25.3	23.5
Infrastructure	190.4	150.8	-	-	190.4	150.8
Utility plant and equipment	-	-	339.8	336.2	339.8	336.2
Utility plant acquisition adjustments	-	-	24.7	26.5	24.7	26.5
Construction in progress	77.7	93.8	26.2	21.4	103.9	115.2
Total	<u>\$ 376.8</u>	<u>\$ 349.4</u>	<u>\$ 398.3</u>	<u>\$ 392.4</u>	<u>\$ 775.1</u>	<u>\$ 741.8</u>

* Restated

Major capital asset events during the current fiscal year included the following:

- Completion of several major drainage improvement projects, including Edna Coulee and Coulee des Poches.
- Substantial completion and/or completion of several major road improvements and extensions, including Camellia Blvd Extension, La Avenue Extension, Eraste Landry Road Widening, and the Congress/Bertrand Dr. Widening.
- Completion of other major road improvements such as Willow St Extension, Devalcourt Extension, and Kaliste Saloom collector frontage roads.
- Completion of various other street, drainage and recreation and parks improvements.
- Completion of three new downtown parks of the Central Parks Network.
- Completion of the first phase of the new Multi-Modal Facility, including the renovation of the historic train depot.
- Completion of various improvements to the Adult Correctional Center.
- Completion of over \$16 million of capital improvements to the electric, water, wastewater, and fiber optic Utilities System.

Additional information on the LCG's capital assets can be found in Note 10 of this report.

Long-Term Debt: At the end of the current fiscal year, the LCG had total bonded debt outstanding of \$475.6 million. Of this amount, \$19.5 million comprises debt backed by the full faith and credit of the Lafayette Parish government. The remainder of the debt represents bonds secured solely by specified revenue sources such as the Utilities System revenues and the 2% city sales tax revenues. There are no general obligation bonds outstanding for the City of Lafayette at the end of the fiscal year.

Table 4
Lafayette City-Parish Consolidated Government
Summary of Outstanding Debt at Year-end
October 31, 2003 & 2002
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Notes payable	\$ -	\$ 50.3	\$ -	\$ -	\$ -	\$ 50.3
Claims payable	7.8	8.7	-	-	7.8	8.7
Compensated absences	8.2	7.4	3.1	2.9	11.3	10.3
Parish general obligation bonds	16.6	17.4	-	-	16.6	17.4
Parish certificates of indebtedness	2.9	3.2	-	-	2.9	3.2
City sales tax revenue bonds	288.3	277.0	-	-	288.3	277.0
Taxable refunding bonds	48.3	-	-	-	48.3	-
Utilities revenue bonds	-	-	24.8	30.9	24.8	30.9
Lafayette Public Power Authority Revenue Bonds	-	-	94.7	101.2	94.7	101.2
Total all notes and bonds	<u>\$ 372.1</u>	<u>\$ 364.0</u>	<u>\$ 122.6</u>	<u>\$ 135.0</u>	<u>\$ 494.7</u>	<u>\$ 499.0</u>

The Lafayette Consolidated Government issued an additional \$123.0 million in bonded debt during the year.

The Lafayette Consolidated Government's total debt decreased during the year by \$4.3 million. This is a result of the refinancing of existing debt to take advantage of lower interest rates and scheduled principal payments coming due. The City's capital outlay program approved by the electorate in 1997 includes total bonds authorized of \$229.0 million. There are expected to be additional sales tax revenue bond sales of up to \$44.2 million in the following years to continue the balance of the program.

The City of Lafayette issued \$49.2 million of Taxable Refunding Bonds, Series 2002, dated November 7, 2002 for the purpose of refunding the fire and police merger obligation to the statewide retirement systems at a lower interest cost.

The City of Lafayette issued \$35.8 million of Public Improvement Sales Tax Refunding Bonds, Series 2002, dated December 1, 2002 (secured by the 1% 1961 general sales and use tax) for the purpose of refunding \$35.9 of Public Improvement Sales Tax Bonds, Series 1993A, dated May 1, 1993.

The City of Lafayette issued \$23.8 million of Public Improvement Sales Tax Revenue Bonds, Series 2003A and 2003B, dated January 1, 2003 (secured by the 1% 1961 general sales and use tax and the 1% 1985 general sales and use tax) for the purpose of purchasing, constructing, acquiring and extending street, drainage, and recreation improvements.

The City of Lafayette issued \$14.2 million of Public Improvement Sales Tax Refunding Bonds, Series 2003, dated February 20, 2003 (secured by the 1% 1961 general sales and use tax) for the purpose of refunding \$13.6 of Public Improvement Sales Tax Bonds, Series 1993B, dated June 1, 1993.

As of October 31, 2003, LCG bonds are rated by two of the major rating services as follows:

	<u>Underlying Ratings</u>		<u>Insured Ratings</u>	
	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>	<u>Moody's Investors Service</u>	<u>Standard and Poor's</u>
City of Lafayette Sales Tax Revenue Bonds 1961 and 1985 Taxes	A2	A+	Aaa	AAA
Lafayette Parish General Obligation Bonds	A2	A	Aaa	AAA
City of Lafayette Utilities System Revenue Bonds	A2	A-	Aaa	AAA
Lafayette Public Power Authority Revenue Bonds	A3	A	Aaa	AAA

Computation of the legal debt margin for general obligation bonds is as follows:

Governing Authority: City of Lafayette, Louisiana

Ad valorem Taxes:

Assessed Valuation, 2002 tax roll	<u>\$ 702,369,634</u>
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Debt Limit: 10% of Assessed Valuation (for any one purpose)	\$ 70,236,963
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Debt Limit: 35% of Assessed Valuation (aggregate, all purposes)	245,829,372
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There are no outstanding bonds secured by ad valorem taxes of the City of Lafayette at this time.

Governing Authority: Parish of Lafayette, Louisiana

Ad valorem Taxes:

Assessed Valuation, 2002 tax roll	<u>\$1,063,999,041</u>
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Debt Limit: 10% of Assessed Valuation (for any one purpose)	\$ 106,399,904
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Debt Outstanding by purpose:

Roads and Bridges	\$ 9,795,000
Parish Courthouse	\$ 480,000
Drainage	\$ 3,170,000
Fire Protection	\$ 480,000
Recreation	\$ 385,000
Jail	\$ 2,015,000

The Louisiana Revised Statutes limit the City's bonded debt for any one purpose to 10% of the assessed valuation of the taxable property and 35% for all purposes. The Parish bonded debt is limited to 10% of the assessed valuation of the taxable property for any one purpose.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered when preparing the fiscal year 2004 budget. One of those factors is the economy. The Lafayette labor market area's non-agricultural employment was 169,500 at August 2003, compared to 169,400 for the year of 2002, and 173,900 for 2001. In August 2003, unemployment in Lafayette Parish stood at 5.1% versus the State rate of 7.3%. Additionally, apartment occupancy rates stood at 95% for the third quarter of 2003. The value of residential and commercial building permits increased 33% in 2003.

The City's 2% general sales and use tax and the Parish's 1% general sales and use tax are major revenue sources to the General Fund, making up 30% of revenues. The historical trend for the City sales tax has been positive and resulted in a 5.5% increase for fiscal year 2003, while setting new sales records. For the period of November 2003 through March 2004, a 0.5% decrease has been realized over the same period in the previous year. The average annual increase since 1987 is 5.3%. The projected increase for the 2004 budget is 2.5%. The Parish sales tax declined 6% in 2003 following a 6% decrease in 2002. A 9% decrease is projected for the 2004 budget. The Parish sales tax applies only to unincorporated areas of the parish, and therefore, annexations by municipalities reduce the area of coverage and the collection of the tax revenues. However, municipalities annexing the area also become responsible for governmental services in those areas. Another major revenue source to the City General Fund is the Utilities System's payment in-lieu-of-tax (ILOT), which makes up 26% of the City's revenues. The ILOT for fiscal year 2003 was \$16.1 million and is projected at \$16.6 for the 2004 budget.

Amounts available for appropriation in the General Fund budget are \$76.8 million, an increase of 7% over the final 2003 budget of \$72.0 million. Leading the increase in revenues are property taxes and sales taxes as discussed above. The Utilities System in-lieu-of-tax payment to the General Fund is projected to increase \$.5 million compared to 2003. The property tax revenue increase resulted from an increase in the 2003 millage rates and assessed valuation, as well as a new property tax approved for the implementation of fire and police salary and benefit increases. Besides the fire and police salary increases, increased appropriations funded library service increases and the operating costs related to retirement cost increases and the operating costs for a new golf course. Other increases in appropriations were due to a 4% general pay increase for non-fire and police employees.

If budget estimates are met, the LCG's budgetary General Fund balance is expected to increase by \$.7 million by the close of 2004. It is significant that the 2004 budget does not rely on any fund balance use.

As for business-type activities, revenue increases are projected due to growth in retail electric, water, and wastewater sales, and a 10.0% increase in the wastewater rate effective November 2003. We also project an increase in the fuel and purchase power costs for the electric system of 6.6% due to rising natural gas prices. The Utilities System has done extremely well financially and has funded all its capital outlay needs from earnings since 1984, with the exception of one bond issue for \$18.0 million in 1996 for major wastewater plant improvements. This is changing for the future, however; and the fiscal year 2004 budget includes a projected bond sale of \$42.0 million, or about 88% of its capital program.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances of the Lafayette City-Parish Consolidated Government and to demonstrate accountability for monies received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Lafayette Consolidated Government, Office of Finance and Management, P.O. Box 4017-C, Lafayette, Louisiana, 70502.